SaskTel

Financial Statements of

SASKATOON 2 PROPERTIES LIMITED PARTNERSHIP

December 31, 2003

104-05117/

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AUDITORS' REPORT TO THE LIMITED PARTNERS

We have audited the statement of financial position of Saskatoon 2 Properties Limited Partnership as at December 31, 2003 and the statements of operations, limited partners' equity and cash flows for the three-month period then ended. These financial statements are the responsibility of the Partnerships' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2003 and the results of its operations and its cash flows for the three month period then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Canada

January 20, 2004

STATEMENT OF OPERATIONS

For the three months ended December 31, (Thousands of dollars)		**2003**
Operating revenues	$	**780**
Operating expenses		
Depreciation and amortization		**116**
Operating expenses		**447**
		563
Income from operations		**217**
Interest expense		**166**
Net income	$	**51**

STATEMENT OF LIMITED PARTNERS' EQUITY

For the year ended December 31 (Thousands of dollars)		**2003**
Balance, beginning of year	$	-
Net income		**51**
Balance, end of year	$	**51**

See Accompanying Notes

STATEMENT OF FINANCIAL POSITION

As at December 31 (Thousands of dollars)		**2003**
Assets		
Current assets		
Cash	$	**268**
Cash held in trust *(Note 3)*		**400**
Accounts receivable		**4**
Prepaid expenses		**23**
		695
Leasing costs and tenant inducements *(Note 4)*		**92**
Real estate assets *(Note 5)*		**10,350**
	$	**11,137**
Liabilities and limited partners' equity		
Current liabilities		
Accounts payable and accrued liabilities	$	**119**
Current portion, long-term debt *(Note 6)*		**290**
		409
Deferred revenue		**14**
Long-term debt *(Note 6)*		**10,663**
		11,086
Limited partners' equity		
Partners' capital, 101 units issued at $1.00 per unit		-
Partners' equity		**51**
		51
	$	**11,137**

See Accompanying Notes

On behalf of the Partnership

Dan Baldwin, Chairman

Don Ching

STATEMENT OF CASH FLOWS

For the three months ended December 31, (Thousands of dollars)		**2003**
Cash provided by (used in):		
Operating activities		
Net income*	$	**51**
Items not affecting cash from operations *(Note 7)*		**116**
Net change in non-cash working capital items *(Note 8)*		**106**
		273
Financing activities		
Proceeds from issuance of long-term debt		**11,000**
Repayment of long-term debt		**(47)**
Issuance of partnership units		**-**
		10,953
Investing activities		
Leasing costs and tenant inducements		**(94)**
Real estate expenditures		**(10,464)**
		(10,558)
Increase in cash		**668**
Cash and cash equivalents, beginning of period		**-**
Cash and cash equivalents, end of period	$	**668**
Interest paid	$	**129**

See Accompanying Notes

NOTES TO FINANCIAL STATEMENTS

Note 1 -- Description of business

Saskatoon 2 Properties Limited Partnership (the Partnership) is registered as a limited partnership in accordance with the *Partnership Act* of the Province of Saskatchewan. The Partnership was established for the purpose of acquiring and operating the Saskatoon Square (the rental prpperty) located in Saskatoon, Saskatchewan. Colliers McClocklin Real Estate Corp. has been appointed as the rental property manager.

The rental property is registered in the name of the Saskatoon 2 Management Ltd., general partner, who holds its interest in the rental property as the bare trustee for the Partnership. The rental property was purchased on September 30, 2003.

The financial statements include only the assets, liabilities, capital, revenue and expenses of the Partnership and do not include any other assets, liabilities, revenues or expenses of the Partners.

Note 2 -- Summary of significant accounting policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles generally accepted in Canada.

Revenue recognition
Revenues from operating activities are recognized when goods are provided or services are performed.

Leasing costs and tenant inducements
The Partnership recognizes rental revenues evenly throughout the term of the lease, which includes free-rent periods and reduced rent periods granted to tenants. Tenant inducement costs are capitalized and amortized over the term of the related leases.

Real estate assets
Real estate assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the useful life of the asset.

Income taxes
As the Partnership is unincorporated, no provision has been made in the accounts for partners' income taxes. These statements are of the Partnership only and do not include any other assets, liabilities, revenues and expenses of the limited partners.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management periodically reviews the carrying value of the Partnership's real estate assets and if management determines that the carrying value cannot be recovered from future cash flows, the unrecoverable amount is written off against income. Periodic reviews are also done of the estimated useful lives of the real estate assets to determine an adequate charge against income for amortization expense. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Note 3 -- Cash held in trust

At December 31, 2003 Maritime Life Assurance held $400,000 in mortgage proceeds in trust. The cash will be used to pay for leasehold improvements and tenant inducements during 2004.

Note 4 -- Leasing costs and tenant inducements

	2003 (Thousands of dollars)
Leasing costs and tenant inducements	$ 94
Less accumulated amortization	2
	$ 92

Note 5 -- Real estate assets

Effective October 1, the Partnership acquired the land and building comprising the rental property known as Saskatoon Square. The purchase price of $10,463,786, including $238,786 of related acquisition costs, was allocated as follows in the cost column of the table below.

Asset	Useful life
Buildings	25 years
Deferred financing costs	5 years
Parkade lease	17 years

	Cost	Accumulated depreciation and amortization	Net book value
			2003 (Thousands of dollars)
Buildings	$ 8,846	$ 88	$ 8758
Deferred financing costs	191	10	181
Land	367	-	367
Parkade lease	1,060	16	1,044
	$ 10,464	$ 114 $	$ 10,350

Note 6 -- Long-term debt

	2003 (Thousands of dollars)
Due to The Maritime Life Assurance Company, secured by way of a first mortgage on the real property, bearing interest at 6.28% amortized over 20 years; blended monthly installments of $80,078; due November 4, 2013	$ 10,953
Less current portion of long-term debt	290
	$ 10,663

Approximate principal repayments due in the next five years are as follows:

	(Thousands of dollars)
2004	$ 290
2005	$ 309
2006	$ 328
2007	$ 349
2008	$ 371

Note 7 -- Items not affecting cash from operations

	2003 (Thousands of dollars)
Depreciation and amortization	**$ 116**

Note 8 -- Net change in non-cash working capital items

	2003 (Thousands of dollars)
Accounts receivable	**$ (4)**
Prepaid expenses	**(23)**
Accounts payable and accrued liabilities	**119**
Deferred revenue	**14**
	$ 106

Note 9 -- Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan and the Saskatchewan Telecommunications Holding Corporation (collectively referred to as "related parties"). Also included are transactions with corporations and partnerships controlled by members of the Limited Partnership.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding with corporations and partnerships controlled by members of the Limited Partnership and entities under common or joint control or significant influence with the Government of Saskatchewan are as follows:

	2003 (Thousands of dollars)
Operating revenues	**$ 330**
Deferred revenue	**3**

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes thereto.

Note 10 -- Financial assets and liabilities

Fair value
The carrying amounts of cash, cash held in trust, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. The fair value of long term debt approximates its carrying value due to the recent negotiation of the terms of the debt.